



CONSUMER

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Stock Profile/Statistics

	HAIO EQUITY
Bloomberg Ticker	880.50
KLCI	84.44
Issued Share Capital (m)	258.40
Market Capitalisation (RMm)	3.90 2.61
52 week H L Price (RM)	122.91
Average Volume (3m) '000	0.22
YTD Returns (%)	-0.56
Net gearing (x)	6.12
Altman Z-Score	2.76
ROCE/WACC	0.93
Beta (x)	1.76
Book Value/share (RM)	

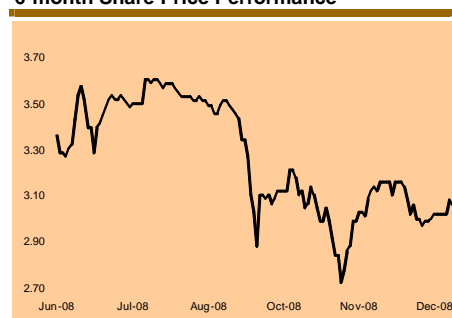
Major Shareholders (%)

Kait Hee Tan	9.6
Akintan SB	7.0
Excellent communication	5.1

Share Performance (%)

Month	Absolute	Relative
1m	0.00	-9.74
3m	4.29	11.17
6m	-6.46	16.56
12m	22.40	66.91

6-month Share Price Performance



Hai-O is involved in wholesaling, retailing, multi-level marketing, pharmaceutical factory and modern Chinese medicinal clinics.

1HFY09 Results Review

Private Circulation Only

Hai-O

BUY	Maintain
Price	RM3.06
Target	RM4.16

Still Flying High

Hai-O's revenue and profit grew 43.2% and 51.6% respectively y-o-y, driven mainly by the MLM division. EBIT margin improved 0.8%-pts due to better sales of higher margin products. We believe that Hai-O would be able to weather the economic downturn given its exposure to healthcare products. The group offers a high dividend yield of 13.1%. **Maintain BUY.**

Results in line. Hai-O's 1H09 revenue and earnings of RM200.2m and RM24.5m came in at 49% of our/consensus FY09 forecasts. Group earnings jumped 51.6% y-o-y on the back of better performance of its MLM division (revenue, +58.1%). Wholesaling revenue improved 8.1% while retail and manufacturing revenue climbed 0.7% and 101.6% y-o-y respectively. On a q-o-q basis, all major divisions except retail contracted for the first time, which dragged down its earnings by 19.9%. While this is dampened by the negative effects of the energy price hike and Ramadan month, sales recovered in November. YTD EBIT margin improved to 17.0% from 16.2% y-o-y due to the change in product mix.

MLM still the main driver. While we expect lower revenue contribution per MLM member in view of slowing consumer spending, this could be compensated by the increased number of members as people seek a second job under the difficult economic environment. The company's attractive incentives will continue to drive the expansion of its MLM network and help the group to expand into new markets such as Indonesia, which will kick-start in March '09. Nonetheless, we expect to see some margin compression in the immediate term as consumers divert spending from its high margin products.

Prospects still promising. Given that its exposure to mainly healthcare products, we believe that the business is somewhat resilient compared with other businesses. We believe that results for the next quarter would be still strong, particularly the retail division, driven by the Chinese New Year festivities in January.

Maintain BUY. The current situation bodes well for the group as investors seek out safer investments in companies like Hai-O, which are cash rich (RM47.9m) and pay good dividend yield (13.1%). We maintain our FY08/09 forecasts at RM49.6m and RM50.4m respectively and value Hai-O at RM4.16, pegged at a PER of 7x over CY09 EPS. **Maintain BUY.**

FYE Apr (RM m)	FY06	FY07	FY08	FY09f	FY10f
Turnover	144.3	189.3	373.8	387.5	406.3
Net Profit	10.2	21.4	48.5	49.6	50.4
% chg YoY	85%	110%	127%	2%	2%
Consensus	-	-	-	50.3	54.0
EPS (sen)	12.1	25.3	57.5	58.8	59.7
DPS (sen)	8.0	18.0	40.0	40.0	40.0
Div Yield	2.6	5.9	13.1	13.1	13.1
ROE	11.4	20.2	34.5	31.7	29.1
ROA	8.1	14.4	23.8	21.9	20.5
PER (x)	25.4	12.1	5.3	5.2	5.1
P/BV (x)	2.9	2.4	1.8	1.7	1.5
EV/EBITDA (x)	14.2	7.2	2.7	2.3	2.1

Results table

FYE Apr (RM m)	2QFY09	1QFY09	% chg	YTD FY09	YTDFY08	% chg
Turnover	87.3	112.9	-22.7	200.2	139.8	43.2
EBIT*	15.5	18.6	-16.4	34.1	22.7	
Net interest expense	-0.2	0.1	1.0	-0.1	0.1	-141.8
Associates	0.0	0.0		0.0	0.0	
PBT	15.3	18.7	-17.9	34.0	22.8	49.0
Tax	-4.2	-5.1	-18.0	-9.3	-6.5	43.7
MI	-0.3	0.0	-1295.5	-0.2	-0.2	18.1
Net Profit	10.9	13.6	-19.9	24.5	16.2	51.6
EPS (sen)	12.9	16.1		29.0	19.1	
Gross DPS (sen)	10.0	0.0		10.0	8.0	
EBIT margin	17.8%	16.4%		17.0%	16.2%	
NTA/share (RM)	1.99	1.84		1.99	1.42	

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